

IRS News Release

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Interest Rates Drop for the Third Quarter of 2004

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WASHINGTON — The Internal Revenue Service today announced that interest rates for the calendar quarter beginning July 1, 2004, will drop by one percentage point, returning to the levels held from last October through March of this year. The new rates will be:

- four (4) percent for overpayments [three (3) percent in the case of a corporation];
- four (4) percent for underpayments;
- six (6) percent for large corporate underpayments; and
- one and one-half (1.5) percent for the portion of a corporate overpayment exceeding \$10,000.

Under the Internal Revenue Code, the rate of interest is determined on a quarterly basis. For taxpayers other than corporations, the overpayment and underpayment rate is the federal short-term rate plus 3 percentage points. Generally, in the case of a corporation, the underpayment rate is the federal short-term rate plus 3 percentage points and the overpayment rate is the federal short-term rate plus 2 percentage points. The rate for large corporate underpayments is the federal short-term rate plus 5 percentage points. The rate on the portion of a corporate overpayment of tax exceeding \$10,000 for a taxable period is the federal short-term rate plus one-half (0.5) of a percentage point.

The interest rates announced today are computed from the federal short-term rate based on daily compounding determined during April 2004.

Rev. Rul. 2004-56, announcing the new rates of interest, is available on the IRS Web site, www.irs.gov, and will appear in Internal Revenue Bulletin 2004-24, dated June 14, 2004.